***MidAmerican Energy Company***
***Responses to the***
***Illinois Energy Solutions***
***Questions for Interested Parties***

MidAmerican Energy Company (MidAmerican) submits the following responses to the Illinois Energy Solutions Questions posed on June 30, 2006. MidAmerican is interested in participating in this continuing dialog concerning the upcoming changes to the Illinois retail electric market and how best to prepare consumers for this change. MidAmerican is in a unique position to contribute to the discussion of longer-term solutions, as it has over 15 years experience in delivering electric energy efficiency programs to its 618,257 retail electric customers in Iowa. However, for the short-term, MidAmerican cautions that not all Illinois consumers will see electric energy price increases at this time. Therefore, communications to Illinois consumers about imminent price increases need to be carefully crafted to avoid causing confusion.

**Short-Term Solutions**

The Commission is seeking ways to immediately help customers cope with rising electric costs. These should be solutions that can be initiated quickly—within a six-month time frame—and have a noticeable impact in lowering energy bills.

*Consumer Education*

1. What types of programs could be introduced in Illinois to provide consumers the tools and information they need to better monitor, manage and control their electricity consumption and thus their energy bills? How should the success of these programs be measured?

   RESPONSE:

   MidAmerican offers a comprehensive online energy audit to its Illinois residential and small commercial customers. Meter read history automatically streams into the model when the customer enters their MidAmerican account number. Customers then answer questions about their energy usage habits, the size of their home, the insulation in their home and the appliances in their home. The customer's answers are analyzed by the model and the customer's actual usage is compared to the usage of comparable homes with comparable equipment. A report is produced for the customer with suggestions where energy savings can be realized (both electric and gas) by changes in behavior or equipment. It is difficult if not impossible to measure the results of education programs and online audit participation. Customers need to gauge for themselves the success of their individual efforts. Anecdotal letters from customers can help gauge effectiveness.

   Energy Efficiency Education programs could also be developed for elementary school aged children. Educational materials could be offered to teachers and

schools as a supplement to their existing curriculum. Materials would be available for children to take home and review with their parents.

2. What role should the various stakeholders take in educating consumers? What should that level of effort be?

RESPONSE:

As stated in response to Question 5, MidAmerican believes the primary responsibility for conducting educational efforts should be with the utility companies themselves as these are the entities with whom customers have the most contact with and with whom customers are most familiar.

a. Commission –

RESPONSE:

MidAmerican believes the best role for the Commission is to explain why, how and where energy costs are rising (and specifically that electricity costs are not rising for MidAmerican's customers).

b. Utility companies –

RESPONSE:

MidAmerican believes utilities should have the option of leading the educational efforts regarding what actions customers can take to better manage their energy costs. This may be through educational materials provided directly to individual customers and through mass media communication efforts. If other parties are selected as providers of energy efficiency programs, it may be more appropriate for those parties to lead these educational efforts.

c. State of Illinois –

RESPONSE:

MidAmerican believes that the State of Illinois should consider increasing contributions to LIHEAP.

d. CUB and other consumer interest groups –

RESPONSE:

MidAmerican believes that the best role for CUB and other consumer interest groups is to reinforce the messages provided by the Commission and utilities or energy efficiency providers as budgets allow.

e. Others –

RESPONSE:

To the extent other parties are providers of energy efficiency programs, they may want to take a leadership role in consumer education. MidAmerican believes parties other then energy efficiency providers can support this education effort by promoting messages that stress the important of consumer actions to increase energy efficiency.

3. The Commission is considering initiating a workshop process to provide interested parties with the opportunity to provide input on how educational material should be designed, what topics should be covered and how the materials should be disseminated. Is there value in such a workshop and what specific issues should be addressed? Please explain.

RESPONSE:

A workshop process to decide how educational material should be designed may be more effort than is necessary since many products are already available for review and purchase. In addition, it may take significant time to organize and conduct workshops. It may be more expeditious to allow utilities and other stakeholders to distribute educational materials without workshops.

MidAmerican worked with Culver Company to develop its Energy Efficiency Education curriculum for grades 3 – 6. Numerous similar products are available from publishing companies.

4. What short-term education efforts are being planned in response to the ComEd rate stabilization docket (06-0411) and the Ameren securitization (06-0448) docket?

RESPONSE:

MidAmerican has no specific plans for customer education related to these dockets. MidAmerican's education efforts will be geared toward reassuring its customers that they will not be subject to the price increases being discussed for Ameren and ComEd.

5. Who should take the lead role in promoting the education effort? Please explain.

RESPONSE:

MidAmerican believes utilities should have the option of assuming the primary responsibility for conducting educational efforts as they are the entities with whom customers have the most contact and with whom customers are most familiar. If

utilities select other parties to delivery energy efficiency programs, it may make sense for those parties to lead the education effort. Explanatory communications from the Commission and from CUB would be extremely helpful, however. See the response to Question 2.

6. What programs have other states undertaken to educate consumers on how to deal with high energy bills? How successful are these programs? How is success measured? Which programs are applicable to Illinois?

RESPONSE:

As previously discussed, MidAmerican offers a free online energy audit to all customers in Iowa, Illinois, South Dakota and Nebraska. We measure the success of the online audit by tracking the number of audits completed by customers. MidAmerican's energy efficiency education program for grades 3-6 in Iowa is called *Energy Efficiency World.* We promote it by sending a letter to teachers in schools in our Iowa service territory. We measure its success by the number of requests we get for materials. MidAmerican also has an extensive advertising campaign in Iowa based on our "Save some green.®" trademark. Broadcast television, cable television, newspaper, magazine, Web banner and outdoor advertising are used to educate customers about how they can "Save some green." We measure the success of our energy efficiency advertising by doing customer surveys. MidAmerican also promotes a product called Energy Efficiency Awareness Campaign® to large commercial and industrial customers in Iowa through our network of Energy Consultants that service these key accounts. Our Energy Efficiency Awareness Campaign offers free customized posters customers can use to place in their factories and other places of business to remind employees to save energy.

7. What programs have been or are being implemented in other states to mitigate rising energy costs?

RESPONSE:

MidAmerican implements the following gas and electric energy efficiency programs in Iowa:

**Residential:**

***Residential Load Management*** is our residential air-conditioner load control program.

***Residential Equipment*** provides incentives for the purchase and installation of high efficiency space-conditioning and water heating equipment.

***Residential Audit*** provides free energy audits with the installation of low-cost and no-cost energy saving measures and incentives for adding insulation and installing efficient replacement windows.

***Low Income*** provides free energy audits and on-site installation of energy efficient heating, water heating, lighting, refrigeration and insulation measures for eligible LIHEAP customers.

***Residential New Construction*** provides comprehensive builder rebates for construction of energy-efficient homes.

**Nonresidential:**

***Commercial New Construction*** provides comprehensive rebates for nonresidential energy-efficient new construction.

***Nonresidential Equipment*** provides incentives for the purchase and installation of a wide range of energy efficient lighting, heating, ventilation, air conditioning and motor measures.

***Nonresidential Custom*** has incentives for the purchase and installation of high efficiency measures and systems that do not neatly fit into other nonresidential programs.

***Nonresidential Load Management*** provides incentives to large nonresidential customers to reduce electricity use during MidAmerican's system peak hours.

***Small Commercial Energy Audit*** provides free energy audits with installation of energy-saving measures during the audit and recommendations to help save energy and energy costs.

***Nonresidential Energy Analysis*** promotes the analysis and implementation of comprehensive efficiency strategies in large existing commercial buildings, industrial facilities and manufacturing processes.

***Efficiency Bid*** allows large industrial customers to propose energy-savings projects and bid for incentives based on the level of energy efficiency achieved by the project.

**Other:**

***Trees*** provides incentives to encourage the planting of trees through a mix of customer education, financial grants and special projects.

8. Describe any education efforts associated with demand response, energy efficiency, real-time pricing, LIHEAP and the impending rate increases that are planned or currently underway. Provide all documents associated with the education efforts.

RESPONSE:

No new education efforts are planned or underway at MidAmerican as no increases in MidAmerican's electric rates are expected. MidAmerican continues to reference LIHEAP in its news releases concerning high natural gas prices, and local assistance agencies who administer the funds are listed as part of those releases.

9. How well can residential customers get information on their power use in a timeframe in which they can change their behavior? How can this be improved?

RESPONSE:

MidAmerican believes that the most effective information customers can receive on their power use relates to specific energy consuming activities that the customer engages in on a day-to-day basis, as opposed to kWh usage information on a daily or hourly basis. The difficulty with kWh usage information is that customers cannot relate it very well to actions they are taking. Telling a customer that using so many kWh at a certain time of day has a certain effect on their bill is not as useful to many people as telling them how much running certain appliances at a certain time of day affects their bill. For this reason, MidAmerican believes that on-line audit information that relates directly to energy usage can be a more effective tool in changing behavior than kWh metering data.

See the response to Question 1 for more information on MidAmerican's on-line audit program. While we do not know the availability of on-line audit information elsewhere in the state, we believe it is a technology that can be reasonably implemented in areas of the state where prices are expected to increase significantly and altering energy usage is a major concern.

10. Tell us about existing demand response programs available to electric utility customers in Illinois.

a. How do they work?

RESPONSE:

MidAmerican has an Illinois tariff (Rider No. 4 Curtailment Service) applicable to commercial and industrial customers with a willingness and ability to curtail 250 kW or more during Company-specified curtailment periods.

b. Who is eligible to participate?

RESPONSE:

Participation in this program is limited to a total of 5,000 kW of curtailable load in the Company's Illinois service territory.

c. How does one enroll?

RESPONSE:

Enrollment is through either one- or five-year contracts on a first-come, first-served basis up to the 5,000 kW limit each year.

d. What are the terms and conditions?

RESPONSE:

Incentives are one-time end-of-season payments based on the amount of curtailable load and length of contract. The customer must curtail load as requested or the customer may be held responsible for a proportionate share of any capacity MidAmerican is required to purchase to fulfill its Mid-Continent Area Power Pool requirements.

11. Tell us about existing energy efficiency programs available to electric utility customers in Illinois.

a. How do they work?
b. Who is eligible to participate?
c. How does one enroll?
d. What are the terms and conditions?

RESPONSE:

MidAmerican offers its Illinois residential and small commercial customers access to the online energy audit program as described in response to Question 1 above. The audit is free and is accessed through MidAmerican's Website. All residential and small commercial customers are eligible to complete an audit.

12. What is the marginal cost of air conditioning load during the summer months (June, July, and August)?

a. How does that marginal cost vary over a day?
b. How do we convey that cost information to consumers?
c. What tools do they need to respond to those cost signals?

RESPONSE:

MidAmerican believes that the marginal cost of air conditioning load on its own is not a useful piece of information for customers. It is important only to the extent that it translates directly to a price signal to customers; something that is rarely done in practice outside of real-time pricing programs. For utilities that purchase

their generation in the market, the marginal cost of air conditioning load is the market price of energy during times air conditioning load is on the system. This price can vary by hour and is generally higher during the afternoon than it is during the morning or evening. For utilities like MidAmerican that provide generation out of their own portfolio, the marginal cost can be determined a number of different ways, but in the short term assuming no capacity shortfalls, the marginal cost is the fuel and variable operations and maintenance cost of the next unit to be dispatched in the running order. This varies by hour according to system load, but can also be influenced by external factors such as outages.

MidAmerican's responses to Consumer Education – Question 1, Demand Response – Question 2, and Energy Efficiency – Question 3 discuss MidAmerican's views on the best way to convey cost and price signals to consumers and the tools consumers need to respond to those signals.

13. Given the short timeframe, what role can digital technology play in enabling consumers to change their behavior? What digital technologies exist that may be implemented in the short-term?

RESPONSE:

See the response to Consumer Education Question 9.

*Low-income Consumer Assistance*

1. What impact will higher electricity prices have on various income groups?
   a. What will the overall impact be on households? Small businesses?

RESPONSE:

MidAmerican assumes the higher electricity prices referred to in this question are those expected to be forthcoming as a result of the ComEd rate stabilization docket (06-0411) and the Ameren securitization (06-0448) docket. MidAmerican has not researched this issue as no increase is expected for MidAmerican's electric rates.

2. Tell us about LIHEAP.
   a. How much money is available?
   b. Who is eligible to participate?
   c. Will there be more LIHEAP funds available to coincide with the impending rate increases?
   d. What efforts are underway at the state and federal levels to increase LIHEAP funding for low-income customers served by Illinois electric utilities?
   e. How does one go about applying for LIHEAP funds?
      i. Can the process be streamlined? Explain.

RESPONSE:

Customers are eligible for LIHEAP assistance if their incomes are 150% or below of the poverty level. Questions concerning funding availability and efforts to increase funding are best addressed by the Department of Healthcare and Family Services, which is the Illinois department given the charge to administer the LIHEAP program. MidAmerican continues to direct customers who are struggling to pay their utility bills to the local assistance agencies to determine if they are eligible for the LIHEAP grants.

3. According to survey information released by the Bureau of Labor Statistics, lower-income households currently pay a disproportionately higher percentage of their income for electricity. How can this be mitigated going forward?
   a. Should special programs be implemented to alleviate the impact of price increases? Why or why not?
   b. If yes, what should those programs be?

RESPONSE:

Illinois utilities, along with the Department of Healthcare and Family Services, have been working to develop changes in how LIHEAP funds are currently allocated. The group has developed a Percent of Income Payment Plan whereby low income customers would be responsible for a fixed percentage of their utility bills based on household income. The group continues to work out details of the plan. If it is determined to move forward with this approach, the percent of income plan will be implemented on a small scale in September 2007.

   c. What role is there for low-income targeted installation of technologies, *e.g.*, programmable thermostats, price-responsive appliances, digital meters, etc.?

RESPONSE:

MidAmerican's Low Income Program in Iowa provides for the following targeted installation of energy-saving measures:

Low-Flow Showerheads
Low-Flow Faucet Aerators
Hot Water Pipe Insulation
Compact Fluorescent Light Bulbs
Circleline Compact Fluorescent Lights
ENERGY STAR-Labeled Programmable Thermostat
High Efficiency Natural Gas Furnace
High Efficiency Natural Gas Water Heater
High Efficiency Electric Water Heater (if there is no gas service or it is infeasible to install gas)

ENERGY STAR-Labeled Refrigerator
Manual Defrost Freezer
Insulation Measures (Wall, Attic, Floor or Foundation and Bandjoist)

MidAmerican does not currently see a role in its service territory for price-responsive appliances or digital meters except for programmable thermostats.

d. Would low-interest loans for homeowner insulation, energy-efficient appliances, etc. be worthwhile? Please explain.

RESPONSE:

MidAmerican has found it beneficial to offer customers in Iowa a choice between cash rebates and low-interest financing for the purchase and installation of energy efficient equipment as a part of its energy efficiency plan in that state. In this way, customers can choose the option that best meets their needs. LIHEAP programs in Illinois can help customers with financing of weatherization improvements.

4. Will the existing energy assistance programs (e.g., LIHEAP) be sufficient to help offset the additional costs incurred by low-income consumers?
   a. Should additional funding be sought to help low-income consumers?

RESPONSE:

Yes, additional funding should be sought to help low-income customers.

b. If so, what is the best way to use those funds, e.g. bill assistance programs, weatherization, digital thermostats, metering, price-responsive appliances, etc.?

RESPONSE:

The best way to use additional funds is to provide additional or more comprehensive weatherization services. Bill payment assistance certainly has its place and provides necessary assistance to those struggling with high bills. However, it does not necessarily solve the long-term problem of the high cost of energy usage. Only lowering energy usage can reduce future bills and weatherization programs are the best way to lower energy usage at low-income households.

**Longer-term solutions**

In February 2006 the U.S. Department of Energy released a report entitled "Demand Response in Electricity Markets and Recommendations for Achieving Them." See, http://www.electricity.doe.gov/documents/congress_1252d.pdf.

The study found that by more closely aligning the retail price of electricity with its cost of production as it varies over time, customers will be able to assign a value to their consumption of electricity and make a better determination of when to use it. That is, flat rate electricity prices prevent consumers from knowing the true cost of their choice of how much power to use. The demand response enabled by this knowledge produces a number of benefits, including lower consumer bills and lower wholesale market prices, reduced need for new generation and transmission capacity and reduced stress on existing infrastructure.

*Consumer Education*

1. What is the best way to convey to consumers that they have the ability to control their electricity bill, for example by reducing peak load consumption?

   RESPONSE:

   MidAmerican believes that in the current circumstances encouraging customers to participate in an energy audit process is the best way to convey to them that they can have some ability to control their electric bill. In order for customers to control their electric bill by reducing peak load consumption, they need to be on some sort of time-based rate. Customer acceptance of traditional offerings such as time-of-use rates or real-time pricing has historically been poor. Interruptible and direct load control programs have been much more successful in reducing electricity costs for customers. Programs that offer individual customer education and assistance in taking advantage of time-based rates have increased the effectiveness of those rates. Programs that limit the number of "peak load" hours that are subject to higher pricing, such as critical peak pricing programs, have also proven somewhat effective.

   a. How can this change in behavior be institutionalized?

   RESPONSE:

   In MidAmerican's opinion, the best way to institutionalize such changes is to make them to some degree automatic for customers. This could be done either through some type of active intervention in controlling the customer's energy use or through an active notification (such as a phone call or electronic notification) that a "peak load" period will be in effect.

   b. Should financial incentives be given to customers to reduce their peak load consumption?

   RESPONSE:

   Financial incentives can be provided to customers to reduce their peak load consumption through an air conditioner load control program or a

commercial/industrial curtailment program where customers shed, self-generate, or shift load. In Iowa, incentives for these programs are part of MidAmerican's Iowa Utilities Board approved Energy Efficiency Plan and customers pay for the programs through an energy efficiency cost recovery factor. If active notification of "peak load" financial incentives is provided to customers, such price differentials may also be effective in reducing peak load consumption.

c. How should the information about hourly prices be conveyed to consumers? Who should be responsible for providing that information? Can this information be easily provided? Why or why not?

RESPONSE:

This question assumes that hourly prices should be conveyed to customers. MidAmerican does not necessarily agree that hourly price information is necessary, or even desirable. It has been MidAmerican's experience that even the largest customers have difficulty responding to prices on an hour-by-hour basis. It may be more effective to establish "peak load" pricing coupled with day-ahead customer notification when "peak load" prices are expected to be in effect. The utility would need to be responsible for determining when "peak load" pricing should be in effect, but dissemination of that information to customers should be automated to the maximum extent practical, either by the utility or by a third party.

2. What education programs are being implemented in other states to inform consumers about the long-term impact of programs designed to mitigate rising energy costs?

RESPONSE:

MidAmerican does not have any education programs designed to inform consumers about the long-term impact of programs designed to mitigate rising energy costs.

3. What long-term education efforts are being planned in response to the ComEd rate stabilization docket (06-0411) and the Ameren securitization (06-0448) docket?

RESPONSE:

MidAmerican has no specific plans for customer education related to these dockets. MidAmerican's education efforts will be geared toward reassuring its customers that they will not be subject to the price increases being discussed for Ameren and ComEd.

*Demand Response*

1. What is the best way to incent customers to reduce peak-load consumption? Please explain.

RESPONSE:

Peak-load in the Midwest is primarily weather-driven based on air conditioner demand. Therefore, the best way to reduce peak-load consumption is to provide a combination of rebates/low-interest financing for the purchase and installation of new energy efficient air conditioning equipment and an air conditioner load control program. With this combination, peak is reduced by getting old, inefficient equipment off the grid and the utility has the option of directly controlling the load of participating customers' air conditioners.

2. There are a number of mechanisms available to help customers reduce their demand for electricity. Please comment on the economic, operational and reliability costs and benefits associated with the following:
   a. Rate design –

RESPONSE:

MidAmerican does not believe that time-of-use rates as currently structured are particularly useful tools in helping customers reduce their demand for electricity. The difficulty with most current time-of-use rates is that on-peak periods last for most of the day, and are in effect for all weekdays. In order to fully utilize these rates, customers essentially have to move consumption from daytime hours to nighttime hours. This may make some sense for large industrial customers, but for residential customers, there are very few energy consuming activities that lend themselves to this sort of behavior. On the positive side, time of use rates are relatively inexpensive to implement. As noted in the response to Longer-Term Consumer Education Question 1 (c), "peak load" pricing may be more effective, however.

   b. Information and metering –

RESPONSE:

While information and advanced metering can give customers useful information, they do not on their own help customers reduce their demand for electricity. They require a rate design that provides customers with an economic advantage if they can act on that information. Time of use rates are not particularly helpful in this regard. Information and metering coupled with effective real-time or critical peak pricing is more effective because it gives customers a more focused opportunity to act on the information they are receiving (see response to Energy Efficiency Question 3). However, the capital and operational costs of implementing advanced metering and information infrastructures and systems are significant.

   c. Demand management -

RESPONSE:

If demand management means demand side management or DSM, MidAmerican is supportive of utilizing DSM programs such as those currently offered in Iowa to help customers reduce their demand for gas and electricity, as long as there is a mechanism to efficiently recover the costs of implementing the programs.

d. Distributed generation –

RESPONSE:

Distributed generation, like advanced metering, provides a tool for customers to reduce load, but requires some type of rate incentive (interruptible credits or time-based pricing) to motivate customers to install it.

3. What role can technology play in enabling residential demand response?

RESPONSE:

Air conditioner load control requires a special load control receiver or pager-based thermostat to either curtail the operation of the compressor or increase the temperature of the thermostat. In addition, a software system is required to control the operation of the load control program. As mentioned in the response to Energy Efficiency Question 4, new technologies may also allow more effective demand response in the future.

*Energy Efficiency/Conservation Initiatives*

1. How have residential consumer consumption patterns changed over the last ten years?
   a. Residential consumers continue to acquire more and more electronic appliances and gadgets. How has the increased reliance on electronics altered consumption trends?
   b. Are there noticeable trends based on income class?

RESPONSE:

Over the last 10 years, MidAmerican has seen steady growth in usage per customer in the residential class at about 0.8% per year and projects growth in use per customer at about 1% per year for the next five years. Sensitivity of usage per customer to weather has not significantly changed over the 10-year period, which suggests that growth in usage per customer is related to non-weather sensitive energy consumption and is most likely due to increasing numbers of electronic appliances and gadgets. MidAmerican notes, however, that usage per customer growth is impacted not only by the usage of more and more electronic appliances and gadgets, which increases usage per customer, but also by the technology which

enables these appliances/gadgets to be more energy efficient, which decreases usage per customer.

2. What is the consumption trend for commercial/small industrial customers?

RESPONSE:

Usage per customer in the commercial/small industrial class in MidAmerican's service territory has been relatively flat compared to residential customers. Over the 10-year period, usage per customer in this class has actually declined by 0.2% per year, but has grown around 0.4% per year since 2000. Projected growth for this class for the next five years is about 0.5% per year.

3. How can pricing signals or changes in rate design be implemented to provide a more timely information flow to the customer and how should that timeliness be accomplished? How important is the timing of the information flow? Please explain.

RESPONSE:

MidAmerican believes that the less often that price signals to customers change, the more successful a program that provides information on price changes to customers can become. This is the primary reason we do not believe real time pricing is a particularly suitable rate design for residential customers. The major drawback to this approach is that customers are instructed to look for price changes on a daily or even hourly basis when, in fact, prices do not change significantly from day to day or hour to hour. This can have the effect of lulling customers into thinking that looking for changes in pricing is not particularly useful or important and they may miss out during the times when prices do change dramatically.

MidAmerican believes that a critical peak pricing approach makes more sense. Under this approach, prices for generation are flat and constant unless sparked by a peaking event, at which time prices increase for a short time. The attractiveness of this approach is that price changes are driven by events that all customers easily understand (hot summer afternoons) and can even anticipate days in advance through weather forecasts. Once a program like this is implemented and takes hold, customers learn that price changes are fairly rare and are triggered by events that they can easily relate to and that make sense.

4. What role could digital technologies play in promoting conservation?
   a. What are the benefits of such technologies?

RESPONSE:

MidAmerican believes that ultimately digital technologies will allow customers to better manage their energy use through better coordination of the use of energy-

consuming devices with the hourly price of electricity. MidAmerican's experience is that customers' acceptance of energy conservation is very high when that conservation is essentially pre-programmed via means such as setback thermostats or its direct load control program. To the extent digital technologies allow more customer usage to be automatically shifted in response to price changes, significant strides in efficiency may be made.

b. What are the costs of implementing such technologies?

RESPONSE:

The costs of implementing the digital technologies to send hourly price signals to customers, of creating an automated customer response to those price signals and of recording and billing customers for usage on an hourly basis are substantial. Careful analysis will be needed to ensure these technologies are adopted in a time frame such that they provide economic benefits.

5. Should utility companies be actively promoting energy conservation programs? Why or why not?
   a. Who should be the recipients of those programs?

RESPONSE:

MidAmerican has a long and successful experience of offering and promoting energy conservation programs in Iowa. Based on that experience, MidAmerican believes that utility companies can be very effective in promoting energy conservation programs to their customers. It is important, however, that utilities receive appropriate and timely cost recovery when they are able to deliver cost-effective energy efficiency programs.

b. How should the costs associated with those programs be recovered?

RESPONSE:

Customer utilization of energy efficiency programs is best accomplished when cost recovery occurs through a rider mechanism that applies to all customers. An additional issue to consider, however, is that energy conservation, without a mechanism to recover lost revenues associated with the decreased consumption, presents a financial hardship to the utility. In order to allow a utility to fully support energy conservation measures (i.e. have no mixed incentives), it is essential that the utility not suffer financial harm as a result the execution of a successful conservation program.